

**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**Agenda I.D. # 12213  
RESOLUTION E-4601 (rev.)  
July 25, 2013**

**R E S O L U T I O N**

Resolution E-4601. Southern California Edison Company requests approval of the 2012 Power Displacement Agreement with the United States Department of Defense at Edwards Air Force Base.

**PROPOSED OUTCOME:** Approves the 2012 Power Displacement Agreement (PDA) between Southern California Edison (SCE) and the United States Department of Defense at Edwards Air Force Base (Edwards). The 2012 PDA replaces the 2001 PDA between SCE and Edwards.

**SAFETY CONSIDERATIONS:** The 2012 PDA approved by this Resolution will not fundamentally alter the electric service that SCE currently provides to Edwards under the 2001 PDA. There are no incremental safety implications associated with approval of the 2012 PDA beyond the 2001 PDA.

**ESTIMATED COST:** None.

By Advice Letter 2686-E, filed on January 6, 2012.

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**SUMMARY**

This Resolution approves the 2012 Power Displacement Agreement (PDA) between Southern California Edison (SCE) and the United States Department of Defense at Edwards Air Force Base (Edwards), which was executed on December 28, 2011. The 2012 PDA replaces the last PDA signed in 2001. The PDAs allow Edwards to receive low cost federal preference power from the Parker-Davis Federal Project through SCE's grid. SCE credits Edwards' electric bills for the power received.

The 2012 PDA between SCE and Edwards is reasonable. The 2012 PDA allows Edwards to receive low cost federal power through SCE without additional costs to other SCE ratepayers. The 2012 PDA requires Edwards to pay SCE additional charges that ensure other SCE ratepayers are indifferent to energy load supplied by Western and credited to Edwards. Furthermore, the 2012 PDA allows low cost federal preference power from the Parker-Davis Federal Project to continue to flow to California.

## **BACKGROUND**

### **Edwards and SCE have entered into three PDAs since 1976.**

Since 1976, Edwards Air Force Base (Edwards) has entered into three consecutive long term agreements with Southern California Edison (SCE) to deliver power from Western Area Power Administration (Western). Through Western, Edwards receives an annual entitlement of low cost federal preference power from the Parker-Davis Federal Project located on the Colorado River. Under these agreements, known as "Power Displacement Agreements", Edwards receives credit on its electric bills for designated meters in the Edwards air force base for the power received by SCE from Western.

### **The 2012 PDA replaces a previous PDA between SCE and Edwards signed in 2001.**

On January 6, 2012, SCE filed Advice Letter (AL) 2686-E requesting approval of the 2012 PDA with Edwards.<sup>1</sup> The 2012 PDA was executed on December 28, 2011 to replace a PDA that was signed in 2001. The 2001 PDA, which was executed in August 2001, was a ten-year agreement between SCE and Edwards. It was scheduled to expire on October 1, 2011, but was extended until December 31, 2011 as Edwards and SCE negotiated terms for the new PDA. The extension was authorized by the CPUC in Resolution E-4451, which approved SCE's request for the extension filed in AL 2621-E.

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1. AL 2686-E was filed according to the provisions of General Rule 8.2.3 of General Order 96-B, which allows a utility other than a telecommunications corporation to provide service (other than resale service) to a government agency for free, or at reduced rates and charges, or under terms and conditions of service deviating from its tariffs then in effect. Energy Industry Rule 5.3(8) of G.O. 96-B allows an advice letter for service to a government agency to be effective upon filing, pending approval by the CPUC.

Under the 2001 PDA, SCE credited the energy delivered by Western to three of Edwards' service accounts, which were the meters located at Main Base, Air Force Research Laboratory, and South Base, up to an amount not to exceed the metered usage. SCE also credited Edwards for Additional Energy delivered by Western, up to a limit of ten percent of the total usage at the three accounts. Western may deliver Additional Energy up to an amount such that total energy delivered does not exceed one-hundred-and-ten percent of the total energy usage at the three Edwards service accounts. Under the 2001 PDA, Edwards paid not only Cost Responsibility Surcharges for all the Additional Energy supplied by Western but also charges for SCE's activities at the California Independent System Operator (ISO) for performing duties as a Scheduling Coordinator for Western.

**Additional charges are incorporated in the 2012 PDA to ensure that other SCE customers are indifferent to the import of energy supplied by Western and credited to Edwards.**

Under the 2012 PDA, SCE credits Edwards for the power supplied by Western on nine Edwards retail metered service accounts, at SCE's Default Load Aggregation Point (DLAP) price. Also, SCE will no longer serve as Scheduling Coordinator (SC) for Edwards. Therefore, SCE will not incur costs as a SC for Edwards and will not be paid by Edwards for serving as a SC. SCE states in AL 2686-E that it understands Western serves as the SC for Edwards. Edwards is billed all delivery charges based on metered consumption, which include Transmission, Distribution, and all non-bypassable charges. On a monthly basis, any remaining metered consumption not credited from imported Western power is billed at the applicable SCE generation rate. Hence, Edwards will pay SCE retail generation charges only for power supplied by SCE.

Because Western power does not satisfy the Resource Adequacy (RA) or Renewables Portfolio Standards (RPS) requirements, Edwards is billed additional charges associated with these "generation-related" services provided by SCE. In addition, SCE bills Edwards for ancillary services and costs associated with scheduling Edwards' load with the ISO. These additional charges, which are incorporated in the 2012 PDA, include RPS Service Charge, RA Service Charge, and Ancillary Services and ISO Load-Related Charges. They are based on rates developed in the Direct Access Order Instituting Rulemaking (R.) 07-05-025 and are incorporated into the 2012 PDA to ensure that other SCE ratepayers are indifferent to the import of Western power for

Edwards. With the RPS and RA Service Charges, bundled service SCE customers are ensured that they are not subsidizing Edwards when complying with RPS and RA requirements. With the Ancillary Services and ISO Load-Related Charges, other SCE generation customers are ensured that they are not paying higher generation rates associated with ancillary services and ISO load-related costs.

Because Edwards is eligible for Direct Access service, the 2012 PDA includes a provision that allows Edwards to terminate the 2012 PDA with a six-month advance notice.

### **NOTICE**

Notice of AL 2686-E was made by publication in the Commission's Daily Calendar. Southern California Edison states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

### **PROTESTS**

AL 2686-E was not protested.

### **DISCUSSION**

**The 2012 PDA between SCE and Edwards is reasonable and is approved.**

The 2012 PDA between SCE and Edwards is reasonable because it allows Edwards to receive low cost federal power through SCE without additional costs to other SCE ratepayers. The 2012 PDA requires Edwards to pay additional charges to ensure that other SCE ratepayers are indifferent to energy load supplied by Western and credited to Edwards. These additional charges are based on rates developed in the Direct Access R. 07-05-025. They include RPS Service Charge, RA Service Charge, and Ancillary Services and ISO Load-Related Charges. With the RPS and RA Service Charges, bundled service SCE customers are ensured that they are not subsidizing Edwards when complying with RPS and RA requirements. With the Ancillary Services and ISO Load-Related Charges, other SCE generation customers are ensured that they are not paying higher generation rates associated with ancillary services and ISO load-related costs.

The 2012 PDA will not result in increased costs to SCE's ratepayers. Furthermore, the 2012 PDA allows low cost federal preference power from the Parker-Davis Federal Project to continue to flow to California.

## **COMMENTS**

Public Utilities Code Section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the CPUC. Accordingly, the Draft Resolution was served on SCE, Edwards, and Mr. Joseph Wiedman. It was also issued for public review and comment no later than 30 days prior to a vote of the CPUC.

On July 15, 2013, Southern California Edison (SCE) filed comments in support of this resolution. SCE states that the PDA allows SCE to recognize the low cost hydro power allocated to Edwards Air Force Base from the Parker Davis Federal Project. SCE also notes that the structure of the PDA ensures that ratepayers remain indifferent to the import of this hydro power to Edwards.

## **FINDINGS AND CONCLUSIONS**

1. Southern California Edison (SCE) filed Advice Letter 2686-E to request CPUC approval of its 2012 Power Displacement Agreement (PDA) with the U.S. Department of Defense at Edwards Air Force Base (Edwards).
2. The 2012 PDA allows Edwards to receive low cost federal preference power from the Parker-Davis Federal Project through SCE's grid, while SCE credits nine of Edwards' electric service accounts for the power received.
3. Edwards and SCE have entered into three PDAs since 1976.
4. The 2012 PDA was executed on December 28, 2011 to replace a previous PDA between SCE and Edwards signed in 2001.
5. The 2012 PDA credits Edwards for Western power at nine Edwards retail metered service accounts at SCE's Default Load Aggregation Point price.
6. Under the 2012 PDA, SCE will no longer serve as Scheduling Coordinator for Edwards.
7. Edwards is billed all delivery charges based on metered consumption, which include Transmission, Distribution, and all non-bypassable charges.

8. On a monthly basis, any remaining metered consumption not credited from Western power is billed at the applicable SCE generation rate.
9. Under the 2012 PDA, Edwards is required to pay additional charges, which include RPS Service Charge, RA Service Charge, and Ancillary Services and ISO Load-Related Charges.
10. These additional charges, which are based on rates developed in the Direct Access Order Instituting Rulemaking R.07-05-025, ensure that other SCE ratepayers are indifferent to the import of Western power for Edwards.
11. The 2012 PDA will not increase any rates to SCE's customers.
12. The 2012 PDA allows low cost federal preference power from the Parker-Davis Federal Project to continue to flow to California.
13. The 2012 PDA between SCE and Edwards is reasonable and should be approved.

**THEREFORE IT IS ORDERED THAT:**

1. The request of Southern California Edison (SCE) to approve its 2012 Power Displacement Agreement (PDA) with the United States Department of Defense at Edwards Air Force Base in Advice Letter (AL) 2686-E is approved.
2. SCE shall modify its tariffs as proposed in AL 2686-E, including adding the 2012 PDA to its List of Contracts and Deviations.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on July 25, 2013; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director